

Message Text

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71

ACTION AF-18

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 CEA-02 SCEM-02 DRC-01 /240 W

----- 107926

R 151549Z OCT 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 1440

INFO AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY TOKYO

OECD PARIS 3668

C O N F I D E N T I A L LAGOS 8343

E.O. 11652 GDS

TAGS: ENGR, NI

SUBJECT: JAPANESE RAISE BIDDING FOR OIL PRODUCTION CONTRACTS

REF: LAGOS 7865 (NOTAL)

1. AS DEPARTMENT AWARE (REFTEL), MANY OIL COMPANIES ARE
COMPETING FOR PRODUCTION SHARING CONTRACTS WITH THE NIGERIAN
NATIONAL OIL CORPORATION ((NNOC). A CONFIDENTIAL SOURCE HAS
SHOWN THE EMBASSY A COPY OF A PROPOSAL DATED OCTOBER 5
FROM THE FUYO PETROLEUM DEVELOPMENT CORPORATION OF JAPAN
OFFERING THE ULTIMATE "PRODUCTION SHARING" TERMS:
ONE HUNDRED PERCENT FOR NNOC, ZERO FOR FUYO.

2. FUYO IS ASKING FOR EXPLORATION AND DEVELOPMENT RIGHTS
TO FOUR OFFSHORE BLOCKS AND WOULD GIVE UP HALF OF THE
TOTAL AREA AFTER FIVE YEARS. FUYO WOULD PAY ALL COSTS,
THE TITLE TO ALL OIL WHICH MIGHT BE PRODUCED WOULD REST
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WITH NNOC, AND THE JAPANESE GROUP WOULD HAVE A FIRST

OPTION TO PURCHASE THE OIL AT THE THEN PREVAILING MARKET PRICE. FUYO ALSO PROPOSES THAT, ONCE THE AREA IS IN PRODUCTION, ITS COSTS BE RECOUPED IN KIND WITH ROYALTY OR PRATICIPATION OIL AVAILABLE TO NNOC FROM OTHER VENTURES.

3. COMMENT: TERMS SUCH AS THESE HAVE NEVER BEFORE COME TO ATTENTION OF EMBASSY. APPARENTLY PRICE OF THE OIL IS OF NO CONSEQUENCE TO THE JAPANESE WHO ARE WILLING TO UNDERWRITE ALL EXPLORATION AND DEVELOPEMENT COSTS SIMPLY FOR THE RIGHT TO PURCHASE FROM AN ASSURED SOURCE OF SUPPLY. COST RECOVERY CLAUSE IS ADDED FILLIP WHICH WOULD ALLOW THE JAPANESE TO OBTAIN EVEN MORE OIL THAN THEY PRODUCE.
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Message Attributes

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Disposition Reason:
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Executive Order: GS REINHARDT
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30 JUN 2005

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